

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Federal-State Joint Conference)	WC Docket No. 02-269
On Accounting Issues)	
)	
2000 Biennial Regulatory Review -)	CC Docket No. 00-199
Comprehensive Review of the Accounting)	
Requirements and ARMIS Reporting)	
Requirements for Incumbent Local)	
Exchange Carriers: Phase II)	
)	
Jurisdiction Separations Reform and)	CC Docket No. 80-286
Referral to the Federal-State Joint Board)	
)	
Local Competition and Broadband Reporting)	CC Docket No. 99-301

**Comments of the
Rural Utilities Service**

The Rural Utilities Service (RUS) appreciates the opportunity to offer comments on this Notice of Proposed Rulemaking (NPRM). RUS is an Agency of the United States Department of Agriculture, empowered by the Rural Electrification Act of 1936 (RE Act), as amended, to provide financing to Rural America for the purpose of furnishing and improving electric, telecommunications, and water and waste water services. For over 50 years, RUS has helped build modern telecommunications systems in rural America. Today, RUS continues to bridge the technology gap by providing financing and technical services to about 825 rural local exchange carriers.

Background

On September 5, 2002, the Federal Communications Commission (FCC) convened the Federal-State Joint Conference on Accounting Issues (Joint Conference) to provide a dialogue between the FCC and the various state commissions concerning the collection of accounting data for regulatory purposes. As a result the Joint Conference issued its recommendations on October 9,

2003, on actions taken by the FCC during its 2000 Biennial Regulatory Review and other matters. This NPRM seeks comments on the Joint Conference's recommendations.

Discussion

RUS commends the FCC for the role it has played at the forefront of the telecommunications industry throughout its history, and its many successes in deregulation and streamlining. Its efforts have allowed a common language for following the financial and technological aspects of a very diverse industry. State and federal agencies as well as investors utilize this common language. RUS also commends the Joint Conference for its practical and down to earth approach to the accounting matters at hand. RUS has been very concerned about the FCC's actions in reducing and eliminating its Part 32 accounting and reporting requirements and the effect of these actions on this common language. Even if the FCC requirements are eliminated, oversight will not end at that point in time. This will lead to multiple agencies and commissions establishing many differing requirements.

The FCC's accounting and reporting requirements have historically provided uniform accounting information and this has served as an efficient system for the needs of management and federal and state regulators. We have long disagreed with the FCC interpretation that its public interest standard is synonymous with federal purpose. RUS believes that the FCC should continue to mandate uniform accounting requirements that state and federal regulators need to carry out their responsibilities.

Because of far reaching changes taking place today and the tremendous challenges our country faces, it is critical that the FCC continue to prescribe basic uniform accounting and reporting rules. It is especially important, in light of the events involving major telecommunications and utilities companies, to be able to track and compare, on a uniform basis, the financial condition of the incumbent local exchange carriers (ILEC).

RUS respectfully urges the FCC to focus on the reasons the USoA is needed and the purpose it serves.

Joint Conference Recommendations

While the Joint Conference Recommendations encompass a number of areas, RUS will focus its comments on Sections IV, Modifications to Part 32, and V, Affiliate Transactions Requirements. RUS supports the recommendations of the Joint Conference in the four areas addressed in Section IV, Modifications to Part 32. We would, however, like to expand on Joint Conference Recommendation C, Consolidation of Accounts 6561-6565 into one Depreciation and Amortization Expense Account. RUS believes the FCC should restore accounts 6561-6565 and the appropriate follow-on action is to restore the depreciation and amortization reserve accounts associated with these expense accounts that were eliminated in Phase II.

Comments on Joint Conference Recommendations

RUS also supports the Joint Conference recommendations from Section V, Affiliated Transactions Requirements. We do not believe that this is the time for relaxing standards as it would provide additional opportunities for manipulation of the financial reporting of the entity.

Conclusion

We applaud the FCC for convening the Federal-State Joint Conference on Accounting Issues to examine the actions of the FCC pertaining to accounting issues along with the impact of those actions on the states and other regulatory organizations. We continue to believe that having a uniform system of accounts maintained by the FCC provides an industry standard for collecting and reporting information. The information required by the USOA is necessary and used by states and federal agencies not only in setting rates, but also in setting public policy and in providing a framework for public confidence in the telecommunications industry. We urge the FCC to adopt the recommendations of the Joint Conference



Kenneth M. Ackerman
Assistant Administrator, Program Accounting
and Regulatory Analysis
Rural Utilities Service

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Date